

# Special Education Funding

Background Materials  
K-12 Advisory Committee  
October 19, 2005

# State and Federal Law

- Required under state and federal law
  - Chapter 28A.155 RCW
  - Federal law: Individuals with Disabilities Education Act (Reauthorized in 2004 and originally enacted in 1975 as the Education for All Handicapped Children Act)
  - Part of the state's program of basic education

# Purpose under Federal Law

- Federal law requires a free appropriate public education in the least restrictive environment under the guidance of a properly formulated individualized education program (IEP) with procedural protections provided to students and their families. (See P.L. 94-142)

# Purpose under State Law

- “The superintendent of public instruction shall require each school district in the state to insure an appropriate educational opportunity for all children with disabilities between the ages of 3 and 21.” (See RCW 28A.155.020)
- “Children with disabilities are those children in school or out of school who are temporarily or permanently retarded in normal educational processes by reason of physical or mental disability, or by reason of emotional maladjustment, or by reason of their disability, and those children who have specific learning and language disabilities resulting from perceptual-motor disabilities, including problems in visual and auditory perception and integration.” (See RCW 28A.155.020)

# Other State Laws

- Medicaid dollars: Must access federal medicaid funding for eligible students to off-set state costs. (RCW 28A.150.390)
- Statewide assessments (WASL): Special education students who are not appropriately assessed by the state high school assessment system may earn a certificate of individual achievement. (RCW 28A.155.045)

# Special Education State Funding and Enrollment

- State Appropriations 2005-06 School Year
  - Special Education Program \$932 Million
  - Special Education is about 8% of total state K-12 appropriations
- Special Education Program Headcount 2004-05 SY
  - Birth to Two: 2,959 (Optional)
  - Ages 3 to 21: 123,154 (Required)

# Funding Model Prior to 1995

- 14 unique funding rates of a special education student based on disability category.
- Special education funding rate included both components: the basic education and special education allocations.
- Method of funding studied in early 1990's.
- Legislature changed formula in 1995-96 due to results of funding studies, initiatives, perceived incentive to classify students in higher-funded categories, and to simplify the funding formula.

# Basis of 1995 Change in Special Education Funding Model

Studies conducted by the Office of Financial Management, the Office of Superintendent of Public Instruction, the Washington State Institute for Public Policy from 1990 to 1995 identified problems with the current formula and recommended changes or identified options for a new funding formula.

## Key Findings of 1995 Washington State Institute for Public Policy Study

- Special education enrollment had increased twice as fast as regular education enrollment over the past 10 years
  - Average annual enrollment growth over prior ten years
    - Total K-12: 2%
    - Special Education: 5%
- The funding formula gave school districts incentives to choose higher cost special education funding categories.



# Current Special Education Funding Formulae

# Key Concepts of Current Special Education Formula

- Excess cost allocation: All students allocated basic education amount; special education students generate an additional amount to recognize the excess cost of meeting special needs.
- Eligibility: Funding allocated for students with IEPs only.
- Average: The funding rate is an average, not variable by student need or intensity of service.
- 12.7 % Index: State will allocate excess cost funding for up to 12.7% of a district's total resident enrollment with properly formulated IEPs.
- Safety net: Districts may qualify for additional excess cost funding where services for a student (detailed in the IEP) exceed a high-cost threshold.

# State General and Special Education Funding (Ages 5-21) Budgeted for 2005-06 School Year

<b>General Apportionment Allocation</b> 1.0 annual average FTE = \$4,237	<u>Per Student \$</u>	<u>Total 2005-06 Appropriation</u>
+	\$4,237	\$490 million*
<b>Excess Allocation</b> $\$4,237 \times .9309 = \$3,944$ for up to 12.7% of district enrollment <u>minus</u> \$97 for federal integration	+	+
	\$3,847	\$472 million
+	+	+
<b>Safety Net</b> High Cost Students only	IEP Dependent	\$10.7 million

\* \$490 million is amount associated with these special education students; Total General Apportionment for all students in 2005-06 school year is \$4.3 billion

# Federal Special Education Funding (Ages 3-21)

## Budgeted for 2005-06 School Year

	<u>Per Student \$</u>	<u>Total 2005-06 Appropriation</u>
<b>IDEA Part B</b> For 3—21 year old \$1,462	\$1,462	\$181 million
+	+	+
<b>Section 619</b> For 3—5 year olds only \$541	\$541	\$7.1 million
+	+	+
<b>Safety Net</b> High Cost Students only	IEP Dependent	\$14.3 million

# State Allocation by Age Category

## Formula

Student Age	BEA* Funding	Special Ed Funding
0-2	None	Apport* X 115%
3-4	None	Apport* X 93.09%
5-21	Yes	Apport* X 93.09%

12.7% Index Applies

## 2005-06 Average Funding Per Student

Student Age	Average BEA*	Average Special Ed	Total
0-2	None	\$ 4,873	\$ 4,873
3-4	None	\$ 3,847	\$ 3,847
5-21	\$ 4,237	\$ 3,847	\$ 8,084

\*BEA = Basic Education Act funding, also known as General Apportionment.

# Federal Formula Funding For Special Education

- IDEA Part B (ages 3-21).
- IDEA Section 619 (ages 3-5).
- Funds are provided to districts based upon:
  1. A hold harmless amount based upon 1999 allocations.
  2. The relative population of students within the state.
  3. District poverty.

	IDEA Part B	IDEA Section 619
2005-06	\$181.4 million \$1,462 per student	\$7.1 million \$541 per student
2004-05	\$177.2 million \$1,432 per student	\$7.1 million \$544 per student
2003-04	\$151.4 million \$1,236 per student	\$7.1 million \$568 per student
2002-03	\$124.0 million \$1,025 per student	\$7.1 million \$599 per student
2001-02	\$105.0 million \$883 per student	\$7.1 million \$606 per student

# Allocations by Age Category

## 2005-06 Average Per Student State and Federal Funding

Student Age	Average BEA	Ave State Special Ed	Average Federal IDEA-B	Average Federal 619	Total
0-2	None	\$4,506	None	None	\$4,506
3-4	None	\$3,847	\$1,462	\$541	\$5,850
5-21	\$4,237	\$3,847	\$1,462	None	\$9,546

# Two Examples of Special Education Costs

- Student A represents ~15% of special education students served in Washington State.
- Student B represents <1% of special education students served in Washington State.
- Both students receive an average allocation of \$4,237 (BEA) + \$3,847 (SpEd) + \$1,462 (IDEA fed) + \$300 (I-728) = \$9,846 per student.



# Student A: 6 year old communication disorder student

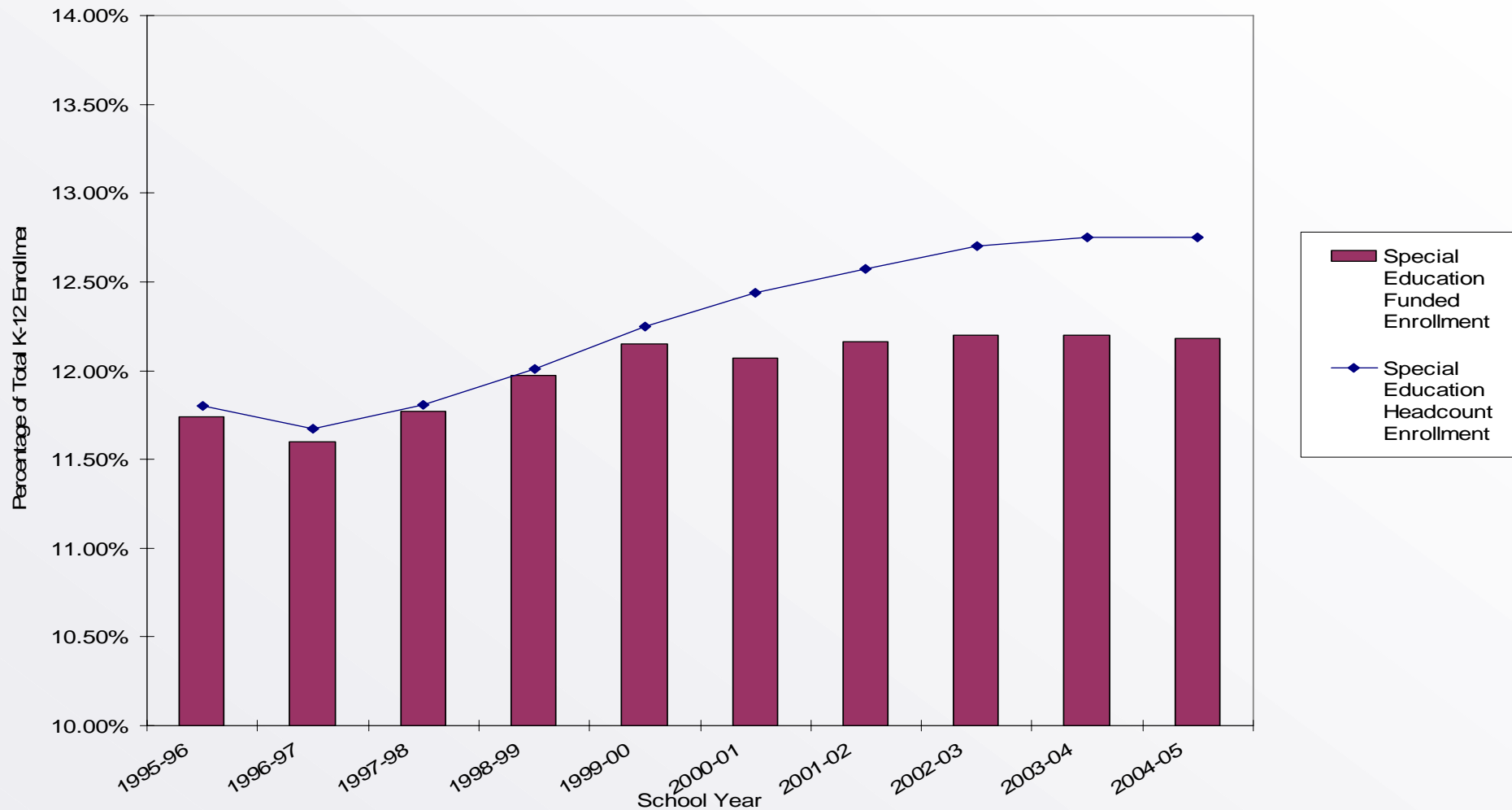
- Student has immature speech patterns.
- Student does not articulate the s, th, p and q sounds.
- Student receives 15 minutes per week of direct speech language pathologist (SLP) services.
- Direct cost of student's services: \$538 per year

# Student B:

## 12 year old multiple disabled 6<sup>th</sup> grader

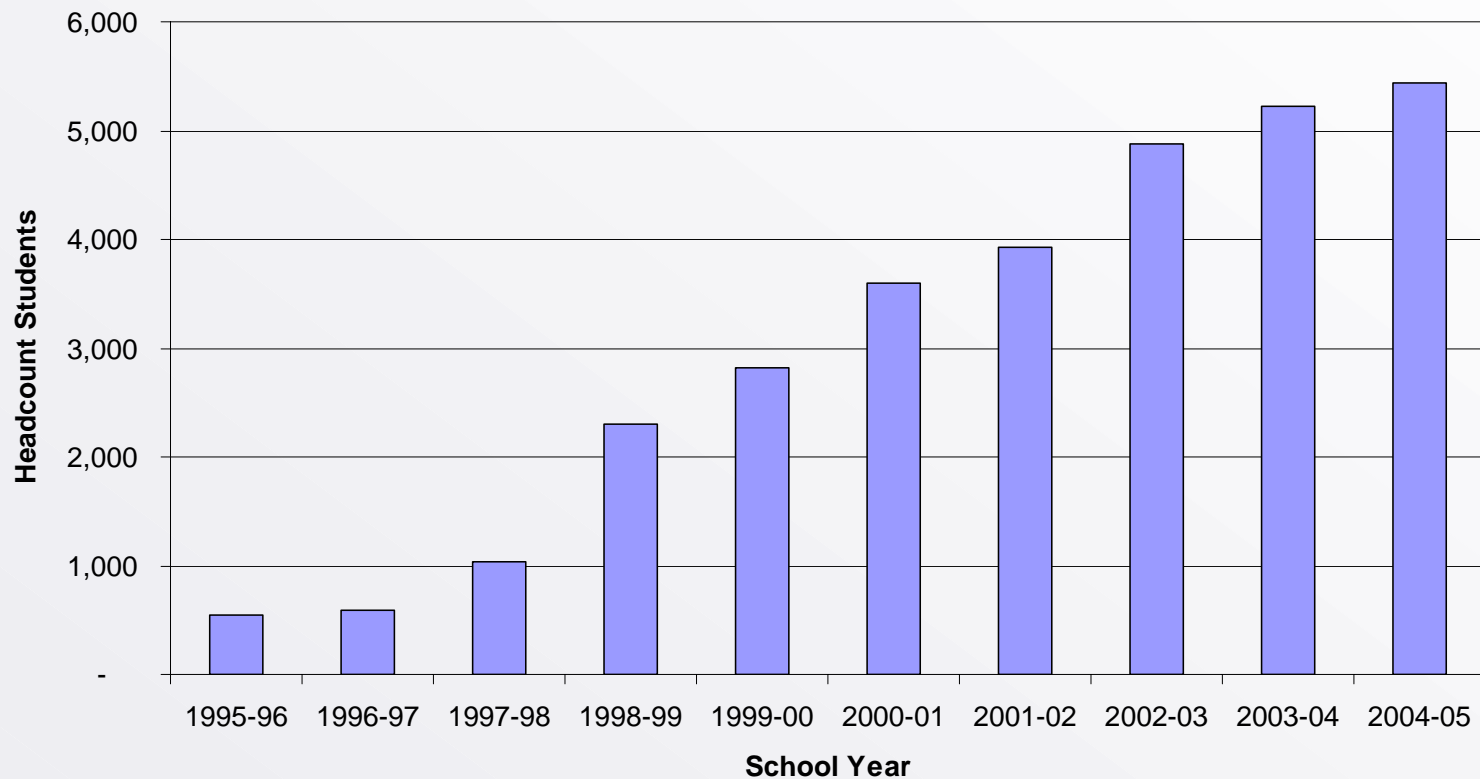
- Student is ventilator dependent, non-ambulatory, and requires assistance in all daily living activities.
- Student receives specially designed instruction in reading, written language, math, and daily living skills, as well as speech language pathology, physical therapy, occupational therapy, nursing care, and is assisted by a transportation aide to and from school.
- Direct cost of student services: \$49,587 per year

# Special Education headcount and funded enrollment as a percentage of total K-12 enrollment.



With an increasing gap between the percentage of special education enrollment and the percentage of funded enrollment, there are greater numbers of special education students in districts above the 12.7% funding index.

**Special Education Enrolled Headcount Allocated General Apportionment Funding Only**



# Federal Funding Integration

- Starting in the 2003-04 school year the legislature provided for an integration of federal IDEA funds.
- Federal funding was intended to pay for a portion of the increased costs of staff salaries and health benefits.
- Legislature deducted an average of \$43 from the special education per student allocation in 2003-04; \$145 (avg.) deducted in 2004-05.
- For 2005-06, legislature increased state funding by \$5.6 million per year to buy down the federal integration by 33%.
  - Beginning in 2005-06, \$97 (avg.) will be deducted from the excess cost per student allocation.

# The Safety Net

# Safety Net Overview

- When a district demonstrates that expenditures for special education excess cost services exceed available federal and state revenues, the state has provided a process for districts to access additional federal and state funding for properly formulated IEPs.
  - Safety net is a two-step process:
    - Identify amount of total **excess cost** (how much did districts spend) vs. total available state/federal revenue → financial need or gap. (Worksheet A);
    - Submit applications for additional resources when a student costs more than \$14,902 to serve; may submit actual costs for eligible applications. (Worksheet C).
- See Appendix A for accounting method info.**

# Special Education Safety Net Committee

- Safety Net process is determined by the State Oversight Committee in consultation with OFM and the fiscal committees of the Legislature.
- Committee established in the 1995-97 biennium.
- Governed by budget act language:
  - Members appointed by OSPI.
  - Committee considers unmet needs for districts that can convincingly demonstrate that all legitimate expenditures for special education exceed all available revenues from state and federal funding formulas.
  - The committee shall then consider the extraordinary high cost needs of one or more individual special education students.
  - Differences in program costs attributable to district philosophy, service delivery choice, or accounting practices are not a legitimate basis for safety net awards.



# Important Safety Net Concepts

- Safety Net funding:
  - is not an entitlement.
  - is provided for services which are already being provided, not planned services.
  - is available for properly formulated IEPs.
  - is for the excess costs of high cost students
- High Cost Students are defined as costing more than \$14,902 to serve (level applies to 2005-06).
- Districts submitting properly formulated IEPs are awarded state and federal funds for IEPs in excess of \$14,902.

# Safety Net Award - Historical Categories

- High Cost Individual Award -HCI- These are individual students with services that cost above \$14,902 to serve.

*The following award types were discontinued in 2002 after state funds were no longer appropriated for the safety net.*

- Maintenance of State Revenue - MOESR provided a graduated hold harmless over a four year period for districts that were negatively impacted by the funding formula change in 1995-96.
- Percentage Award - Provided additional funding for districts that reported special education students above the 12.7% index and provided a plan of action documenting efforts to contain enrollment.
- Student Demographic Award - Provided an avenue for districts to apply that could demonstrate fiscal need; however, did not fit one of the other award types.

## Safety Net Awards - History

	MOESR	Percentage	Demographics	HCI	Total
95-96	\$9,632,405		\$64,600	\$794,626	\$10,491,631
96-97	8,660,248		38,291	214,609	8,913,148
97-98	5,218,884	1,632,277	275,000	626,099	7,752,260
98-99	4,113,800	2,391,177	888,542	1,566,168	8,959,687
99-00	2,334,732	4,157,059	1,160,771	1,842,166	9,494,728
00-01	1,565,435	6,131,521	510,704	4,264,509	12,472,169
01-02	1,429,599	5,386,862	113,936	4,798,946	11,729,343
02-03				11,924,437	11,924,437
03-04				10,446,259	10,446,259
04-05				14,643,023	14,643,023

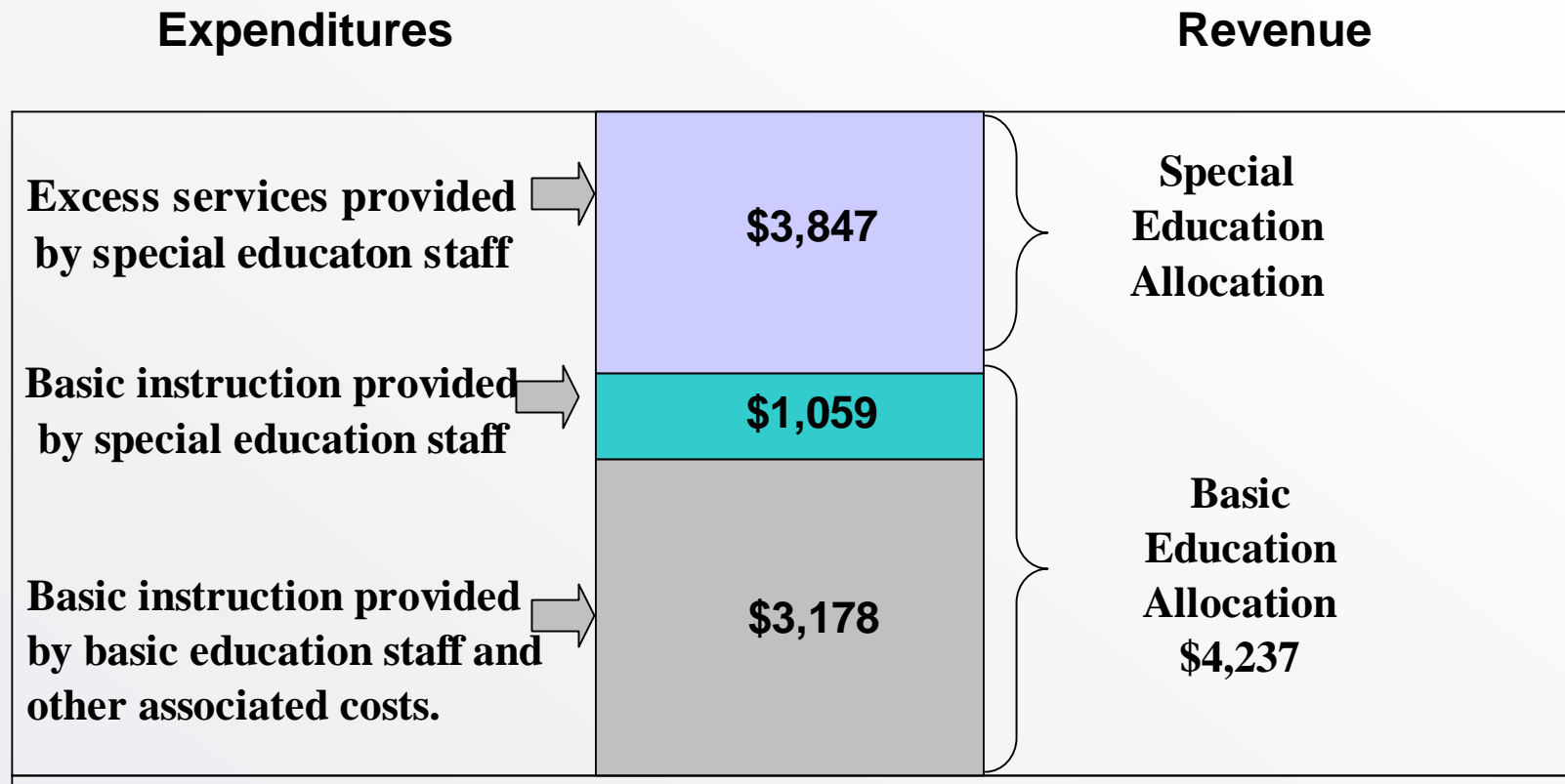
# Appendix

## Accounting for “Excess Cost” Expenditures

# Critical Concept: Excess Cost Accounting

- Purpose: Identify resources expended for special education services in addition to resources for general education or basic education services.
- Accounting Methodology: Identifies an amount of basic education resources reportedly expended on special education. Often referred to as 1077 Excess Cost Methodology or split coding.
- Why Important: Designed to identify differences between all available revenue and all legitimate expenditures. Permits uniform comparison of special education programs for safety net purposes.

# State Funding for Excess Cost Split Coding Purposes



**Funding for One Special Education Student (\$8,084 total)**